

Phil Montgomery

Serving the Communities of Allouez, Ashwaubenon, De Pere and Green Bay

Testimony of Rep. Phil Montgomery Senate Committee on Utilities, Commerce, and Rail March 10, 2008 - Assembly Bill 772

Good afternoon, Chairman Plale, and committee members. I appreciate the opportunity to testify in support of Assembly Bill 772 today, in order to prevent a new cell phone tax on Wisconsin consumers.

Wisconsin cell phone customers were told to expect tax relief soon when the Public Service commission recently cut the E-911 cell phone surcharge in half and reaffirmed that the tax would sunset in April of 2009. However, rules currently under consideration by the PSC would impose an entirely new tax on all Wisconsin cell phone customers.

The PSC is seeking to expand the current Universal Service Fund (USF) surcharge to wireless customers. For nearly the entirety of its existence, the Wisconsin USF has been a program offering subsidies for landline based telecommunications services, funded by assessments paid by landline telecommunications providers and their customers.

It is patently unfair to tax cell phone providers and subscribers for the purpose of funding landline telecommunications subsidy programs, when, in fact, cell phone providers and their customers have little opportunity to participate in and benefit from the programs.

The time to prohibit this new tax is now. Funding of programs unrelated to the USF has increased by millions in recent years, and in the most recent budget, the cap on these programs was lifted. It's time to stop putting the burden of funding unrelated programs on the backs of telecommunications customers, and it's time to stop the idea of extending this tax to cell phone customers dead in its tracks.

I encourage your swift passage of Assembly Bill 772 to prevent yet another tax on Wisconsin consumers.

Thank you for your consideration.

PUBLIC SERVICE COMMISSION OF WISCONSIN

Memorandum

February 19, 2008

TO: Gary A. Evenson, Administrator
Telecommunications Division

FROM: Joyce Mahan Dingman, Assistant General Counsel
Office of General Counsel

RE: Is USF Assessment of Wireless Required by Federal Law?

I am replying to your request for a written perspective on the question raised about federal requirements concerning Universal Service Fund (USF) assessment of wireless providers. The question is whether the federal law requires that wireless providers be assessed.¹ As we have previously discussed, I conclude the answer is yes.

At the time that our original USF rules were written, there was an assumption among the states (based on a FCC interpretation) that wireless providers could not be assessed until wireless service became a substitute for landline. The FCC later changed that interpretation and found that states could assess wireless providers for state USFs. The FCC found that state USF assessment of wireless was "other terms and conditions" regulation rather than rate regulation and, so, was allowed under 47 U.S.C. § 332(c)(3). *In the Matter of Pittencrief Communications, Inc.*, 13 FCC Rcd. 1735, FCC 97-343 (released October 2, 1997). The FCC also stated:

26. Moreover, section 254(f) specifically requires that "every telecommunications carrier that provides intrastate telecommunications services shall contribute . . . to the preservation and advancement of universal service" in a state. [FN78] Thus, even if section 332(c)(3) could be read to prohibit states from collecting universal service contributions from CMRS providers, section 254(f) specifically requires universal service contributions from all intrastate telecommunications carriers, which would include CMRS providers. We find that because section 254(f) was enacted later in time and speaks directly to the issue at

¹ Wireless providers are also known as commercial mobile radio service providers (CMRS).

hand, it would take precedence over section 332(c)(3) if the two provisions were found to be inconsistent.

Pittencrief, 13 FCC Rcd. at 1748 (emphasis added). 47 U.S.C. § 254(f), which the FCC referred to in *Pittencrief*, states:

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State.

47 U.S.C. § 254(f) (emphasis added). This language and the FCC interpretation of § 332(c)(3) in *Pittencrief* appear to indicate that states must assess wireless. *Pittencrief* was appealed and upheld. *Cellular Telecommunications Industry Association v. FCC*, 168 F.3d 1332 (D.C. Cir., 1999) (*CTIA*). Again, the focus of the case was § 332(c)(3) and whether it prohibited state USF assessments. However, in *CTIA* the court of appeals seemed to interpret § 254(f) as allowing assessment:

The Commission also reasoned that to interpret § 332(c)(3)(A) otherwise would contradict 47 U.S.C. § 254(f), which permits a state to require universal service contributions from every telecommunications carrier providing intrastate telecommunications services in the state. . . .

....

This [254(f)] is strong support for the proposition that, consistent with federal law, states may require contributions of the sort Texas is exacting.

CTIA, 168 F.3d at 1335, 1336 (emphasis added).

In terms of our proposed universal service fund rules the issue is whether, since § 332 does not preempt, does § 254 require the assessment of wireless? This can be a difficult discussion to parse since the first sentence of § 254 undoubtedly grants states the authority to establish USF programs that are not inconsistent with federal law. There the language is

permissive. However, the plain language of the second sentence of the statute appears to be mandatory. Thus, the question is whether states are permitted to establish USF programs and permitted to decide which providers to assess, or permitted to establish programs but, once such programs have been established, required to assess all providers including wireless.

There are no cases directly on point. While there are cases addressing the question of whether wireless may be assessed, there are none specifically addressing whether they must be assessed.

Those arguing that the language is permissive point to the following cases. One of the cases is *AT&T v. Public Utility Commission of Texas*, 373 F.3d 641 (5th Cir. Ct. App. 2004). This case addressed whether Texas' state USF assessment of all intrastate providers on their revenues from intrastate, interstate and international calls originating in Texas violated § 254(f). In describing the dual nature of the state and federal USF systems, the Fifth Circuit Court of Appeals stated that § 254(d) allows the FCC to assess providers of interstate service and § 254(f) allows states to assess providers of intrastate services. The court notes that the federal USF is supported by a fee on all interstate providers, including wireless.

Another such case is *Bell Atlantic Mobile, Inc. v. Department of Public Utility Control*, 754 A.2d 128 (Conn. 2000) (*Bell Atlantic*). In that case the Connecticut Supreme Court considered the question of whether a Connecticut state USF assessment was preempted by federal law (§ 332). The court stated that § 254(f) provides that state programs may require contributions from all providers of intrastate service. This seems to envision programs existing and, arguably, a choice about whether to assess all providers. Thus, it is characterized by some commenters as supporting the view that assessment is permissive. However, the case goes on to

state that there is no language in § 254(f) to suggest that CMRS providers are not included in § 254(f) as they are a subgroup of “every telecommunications carrier.” *Bell Atlantic*, 754 A.2d at 142. Arguably then, *Bell Atlantic* also supports the position that a state can have programs and decide whether to assess, but that once the decision to assess has been made, all providers must be assessed.

Those commenters arguing that the language is mandatory point to the second sentence of § 254(f) and argue that while the section gives states permission to create state USF programs, once that decision has been made, the second sentence requires assessment of all carriers, including wireless. These commenters also rely on the cases discussed below.

Nextel West Corp. v. Indiana Utility Regulatory Commission, 831 N.E.2d 134 (Ind. Ct. App. 2006), addressed the question of whether the Indiana Utility Regulatory Commission had the authority to create a state USF. The Indiana Court of Appeals found that, under state law, it did. In a footnote, the court stated that § 254(f) does not grant Indiana authority to create the state USF (only the state legislature may do so), but provides that if a state does so, the funding mechanisms must comply with FCC rules. It does not specifically state what those rules are, although it does quote § 254(f). Arguably, the court is discussing the first sentence of § 254(f). On the other hand, the court may be saying that the second sentence lays out what the rules are. The court does not clarify.

The strongest support for the “mandatory” argument is found in *Sprint Spectrum, LP v. State Corporate Commission of State of Kansas*, 149 F.3d 1058 (10th Cir. Ct. App. 1998) and *Pittencrief*. In *Pittencrief*, the Texas Commission had imposed an assessment on wireless providers. *Pittencrief* requested that the FCC issue a declaratory ruling that § 332 preempted

states and prohibited such assessments. The FCC affirmed its prior finding that § 332 does not preempt state assessments. Part of the FCC's reasoning was that if the § 332 language was interpreted to preempt state assessment of wireless, it would directly contradict § 254(f). The FCC stated, "[S]ection 254(f) specifically requires universal service contributions from *all* intrastate telecommunications carriers, which would include CMRS providers." *Pittencrief*, 13 FCC Rcd. at 1748. The FCC order was upheld on appeal in *CTIA*, 168 F.3d 1332.

In *Sprint Spectrum*, 149 F.3d 1058, the question was whether state assessment of wireless is preempted, and thus prohibited, under § 332(c)(3)(A). The Tenth Circuit Court of Appeals agreed with the FCC that there is no such preemption. It stated:

Section 254(f) specifically grants states the authority to require contributions for universal service and mandates that the contributions come from all telecommunications carriers. In fact, according to the mandatory language of § 254(f) ("Every telecommunications carrier . . . shall contribute . . ."), the Commission would apparently be in violation of federal law if it established a universal service fund but did not require contributions from wireless providers.

Sprint Spectrum, 149 F.3d at 1062.

In a phone conversation with a staff member of the FCC, I was told that there has been only limited national discussion on this question and that it was the FCC's belief that there was going to be a discussion among various state commissions to resolve the question. Not all states assess wireless providers. For example, a July 2006 study by the National Regulatory Research Institute showed that of the 22 states that have USF high-cost programs, 17 assess wireless and 5 do not.² However, like Wisconsin, this may be the result of not having looked at the issue of whether federal law requires assessment rather than an affirmative decision that it does not.

² *State Universal Service Funding Mechanisms: Results of the NRRI's 2005-2006 Survey*, NRRI, July 2006.

Docket 5-TR-104

Having read the statute and considered all of the court cases, it is my opinion that the plain language of 47 U.S.C. § 254(f) requires assessment of wireless providers once a USF program has been established.

JMD:kt:t:\staff\jmd\projects\1-AC-198\wireless assessment required -- to legis.doc



WISCONSIN LEGISLATIVE COUNCIL

*Terry C. Anderson, Director
Laura D. Rose, Deputy Director*

TO: SENATOR JUDY ROBSON
FROM: ^{LAK} Larry Konopacki, Staff Attorney
RE: Universal Service Fund Contributions by Commercial Mobile Radio Service Providers
DATE: June 20, 2007

The Joint Committee on Finance (JFC) recently adopted an amendment to the proposed state budget bill that would prevent the Public Service Commission (PSC) from promulgating rules requiring Commercial Mobile Radio Service (CMRS)¹ providers to pay into the state universal service fund (USF). You have asked whether federal law allows the state to exempt CMRS providers from USF payments.

In summary, it appears that if the state operates a USF, federal law requires the state to assess USF payments from all telecommunications carriers, including CMRS providers. There are some inconsistencies between this requirement and the state statutes and rules implementing the state USF program which may need to be addressed. However, these conflicts should not affect the state's underlying charge to assess USF payments from CMRS providers.

Background

CMRS providers do not currently pay into the state USF. The PSC recently proposed administrative rule changes that would result in USF assessments on CMRS providers. Various parties submitted comments on these proposed rule changes, and some included discussion of whether CMRS providers may be assessed a USF contribution under federal law. Some of the arguments made by these parties are addressed in this memorandum. This rule-making docket can be viewed on the PSC website under Docket ID "1-AC-198." If enacted, the JFC budget amendment would prevent PSC from extending USF assessments to CMRS providers.

¹ The definition of "CMRS" includes mobile telephone services.

Federal Contribution Requirement

47 U.S.C. s. 254 (f) provides as follows:

State authority. A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. **Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State.** A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms. [Emphasis added.]

The highlighted text above, on its face, requires the state to assess USF contributions from "every telecommunications carrier." CMRS providers are included under the federal "telecommunications carrier" umbrella. [47 U.S.C. s. 153 (44).] The Federal Communications Commission (FCC) has agreed that s. 254 (f) includes CMRS providers within the group of telecommunications carriers that must all be assessed equitably and fairly under a state USF. [*In the matter of Pittencreiff Commc'n, Inc.*, 13 F.C.C.R. 1735 (Oct 2, 1997), *aff'd by Cellular Telecomms. Indus. Ass'n v. FCC*, 168 F.3d 1332 (D.C. Cir. 1999).]

Section 332 (c) (3) Preemption

47 U.S.C. s. 332 (c) (3) preempts state and local government authority to "[1] regulate the entry of or the rates charged by any commercial mobile service or private mobile service, [2] except that this paragraph shall not prohibit a state from regulating the other terms and conditions of commercial mobile services." This section also provides: "[3] Nothing in this subparagraph shall exempt providers of commercial mobile services (where such services are a substitute for land line telephone exchange service for a substantial portion of the communications within such State) from requirements imposed by a State commission on all providers of telecommunications services necessary to ensure the universal availability of telecommunications service at affordable rates." [Numbering added for ease of reference.]

With respect to parts [1] and [2] of s. 332 (c) (3), it has been argued that a USF assessment is an impermissible rate regulation, and does not fall under the "other terms and conditions" of CMRS service which a state may regulate. It has also been argued that part [3] provides the *only* means by which a state can subject a CMRS provider to USF requirements, i.e., when "such services are a substitute for land line telephone exchange service for a substantial portion of the communications within such State" and that it would be redundant to read this passage otherwise. These arguments have been rejected by the FCC and at least three U.S. Courts of Appeals.²

² *Pittencreiff*, at ¶ 4-5, 16-19, 23-25; *Mountain Solutions, Inc. v. SCC of the State of Kansas*, 966 F.Supp. 1043 (Dist. Kansas 1997), *Aff'd by Sprint Spectrum v. SCC*, 149 F.3d 1058 (10th Cir. 1998); *Cellular* at 1335. See also *Texas PUC v.*

Finally, the FCC has stated that because s. 254 (f) was more recently enacted, any perceived conflict between it and s. 332 (c) (3) should be resolved in favor of s. 254 (f) which requires every telecommunications carrier, including CMRS providers, to contribute to state universal service efforts.³

Based on a plain reading of ss. 254 (f) and 332 (c) (3) and the precedent cited above, it appears that s. 332 (c) (3) does not preempt state requirements that CMRS providers contribute to a state USF.

"Equitable and Nondiscriminatory" Assessments

The provision of s. 254 (f) which requires every telecommunications carrier to contribute to state USF efforts also requires such assessments to be applied on an "equitable and nondiscriminatory basis." In comments submitted to the PSC on its USF rule-making proposal, it was argued that this requirement precludes state assessment of USF payments by CMRS providers for various reasons, including the following:

- Fairness requires that USF assessments on CMRS providers be limited to programs from which they can draw and in which they participate.

This reason generally assumes that the requirement for "equitable and nondiscriminatory" assessments means that there must be an equitable and nondiscriminatory means of *withdrawal* or *direct benefit* from a USF fund.⁴ It may be more plausible to interpret the intent of this provision is to ensure that the amount of money *paid in* by various telecommunications carriers is fair and equitable. This appears to be the interpretation taken in *AT&T Corp. v. PUC of Texas*, 373 F.3d 641 (5th Cir. 2004), which addressed the discrepancies between the percentage of revenues paid in by intrastate carriers as compared to carriers with interstate and intrastate services.

Regardless of whether a court would interpret s. 254 (f) to require equitable and nondiscriminatory payment of fees or equitable and nondiscriminatory direct benefit from fees, it would probably not have any effect on whether the state should assess the fee against CMRS providers in the first instance. This is because the state controls how its USF funds are allocated in state statute and administrative code. If there are flaws in the way the state applies these funds that make the program inequitable or discriminatory, then the state program may have to be changed accordingly. However, the need for state statutory or rule revision does not exempt the state from the apparent requirement in s. 254 (f) to assess payments from all telecommunications carriers if a USF program is in place.

- Because of the state prohibition on placing a surcharge on CMRS customers' bills, the USF program could not be equitably and fairly applied to CMRS providers.

FCC, 183 F.3d 393, 430-33 (5th Cir. 1999). Note that prior to this precedent, a Connecticut state court had agreed with the redundancy argument with respect to part [3]. *Metro Mobile Cts v. Conn. DPUC*, No. CV-95-05512758 (Conn. Super. Ct., Judicial Dist. Of Hartford-New Britain, Dec. 9, 1996).

³ *Pittencreiff*, at ¶ 26.

⁴ Even if this is the correct interpretation, the FCC has held that CMRS providers receive benefit from the improvement of the public telecommunications network because of the ability of CMRS customers to call and receive calls from non-mobile lines and the general interdependence of these different types of carriers. [*Pittencreiff*, at ¶ 7.]

If CMRS providers were subject to state USF assessments, then current state law would prohibit CMRS providers from placing a surcharge on customer bills for the assessment. [s. 196.218 (3) (e), Stats.] At least one party providing comments in opposition to the PSC's rule-making proposal stated that this state law violates the s. 332 (c) (3) prohibition against state regulation of CMRS rates. Even if this is true, it would not appear to affect the state's responsibility to levy the USF assessment against CMRS providers.

It was also argued that because other types of telecommunications carriers are not prohibited from placing a surcharge for USF assessments on their customers' bills, it would be inequitable and discriminatory to make assessments against CMRS providers who are subject to this state restriction. As with the previous arguments, inconsistencies between state statutes and federal requirements does not justify the failure of the state to meet its s. 254 (f) requirements to assess every telecommunications carrier under its USF program. If these inconsistencies exist, then the state statutory provision may simply be invalid.

State Statutory Conflict

The state has created a USF which generally requires the PSC to assess all "telecommunications providers" for contributions to the USF.⁵ [s. 196.218 (3), Stats.] The PSC is allowed to exempt all or part of contributions that would be paid by telecommunications providers with small gross operating revenues that have been in intrastate operation for five years or less, or contributions that would not be in the public interest. [s. 196.218 (3) (b), Stats.]

Another statutory section limits the general rule that all telecommunications providers contribute to the USF: "Scope of Regulation. . . . a (CMRS) provider is subject to s. 196.218 (3) if the (PSC) promulgates rules that designate (CMRS) providers as eligible to receive universal service funding under both the federal and state universal service fund programs." [s. 196.202 (2), Stats.]

To the extent that current PSC rules do not, or the proposed PSC rules would not, make CMRS providers eligible to receive universal service funding, those rules or the requirement that CMRS providers be eligible may need to be revisited. However, as explained in the previous section, any failure of the state to correctly implement the federal requirements for a state USF program should not impact the underlying federal requirement that all telecommunications carriers be assessed.

If you have any questions, please feel free to contact me directly at the Legislative Council staff offices.

LAK:ksm

⁵ The state definition of "telecommunications provider" is "any person who provides telecommunications services." [s. 196.01 (8p), Stats.] "Telecommunications services" means "the offering for sale of the conveyance of voice, data or other information at any frequency over any part of the electromagnetic spectrum. . . ." [s. 196.01 (9m), Stats.] CMRS providers are included under this broad definition of telecommunications provider.



March 10, 2008

To: The Members of the Senate Committee on Commerce, Utilities and Rail

From: Gail Sumi, State Issues Advocacy Director – 608-286-6307

Re: Opposition to Exempting Wireless providers from contributing to the USF

AARP Wisconsin requests that you oppose Assembly Bill 772, which exempts wireless carriers from paying into the Universal Service Fund. AARP also opposed a similar provision in the 2007-09 state budget.

The goal of universal service has been to make access to telecommunications and information services available to all Americans at rates that are just, reasonable and affordable. The requirement of affordability means that all consumers should be able to purchase a level of service that meets their daily needs at an affordable price and that no one should have to forgo other necessities, such as medicine and food, in order to use necessary telecommunications services. Moreover this concept recognizes that just and reasonable rates may still be unaffordable for some consumers.

Both the states and the Federal Communications Commission (FCC) are empowered to define "universal service" and create universal service support programs. Establishing the broadest possible base of contributors will help in the long-term sustainability of the Universal Service Fund. A fair and effective approach calls for expansion of the base of contributors to include all providers using the underlying infrastructure, including but not limited to all providers of two-way communications regardless of technology used.

For these reasons, AARP urges policymakers to ensure that universal service is a top priority. Universal services must support consumers' use of and not just access to emergency services, operator services and directory assistance. All telecommunications carriers, and any other providers that use the Public Switched Telephone Network, should be required to contribute to the universal service fund. Finally, policymakers should ensure that all carriers recover their universal service contributions in a manner that is fair and equitable to all consumers, including low-volume users.

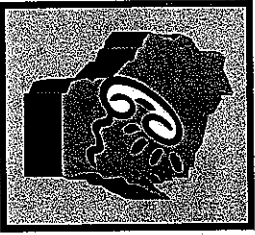
Thank you for your consideration.

Universal Service Fund

Oppose AB 772

WISCONSIN CALLS

Customers for Affordable Local and Long Distance Service



Wisconsin CALLS

- Wisconsin CALLS is a coalition of organizations and companies dedicated to improving service and promoting competition in the delivery of local and long distance telecommunications services. Members include:

- AARP Wisconsin
- Citizens Utility Board
- Wisconsin Independent Businesses, Inc.
- Wisconsin Association of Accountants, Inc.
- Wisconsin Retired Educators' Association
- Wisconsin Alzheimers Association
- Wisconsin Apartment Association
- TDS Metrocom
- Time Warner Telecom
- Covad Communications Group
- McLeodUSA
- Northern Telephone & Data



WISCONSIN CALLS

Customers for Affordable Local and Long Distance Service

Universal Service Fund

- Established by 1993 Wisconsin Act 496
- Purpose: to ensure that all state residents receive essential telecommunication services and have access to advanced telecommunication capabilities.

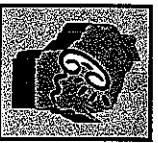


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PSC-Directed USF Programs

- High Rate Assistance Credit – partial credit of local telephone rates
- Telecommunications Equipment Purchase Program – financial assistance for persons with disabilities
- Lifeline – (low income) support for basic local service
- Link-Up America – (low income) waives certain charges associated with establishing or moving telephone service.
- Rate-Shock Mitigation – rate credits for customers to temporarily mitigate the effect of large increases in authorized telephone rates
- Access Program or Project by Nonprofit Groups – funding to nonprofits to facilitate the provision of affordable access to telecommunications and information services
- Medical Telecommunications Equipment – grants to nonprofit medical/health organizations for purchase of telecom equipment
- Public Interest Pay Telephone – payments to telephone companies to make available public pay phone services in specific areas
- Two-Line Voice Carryover – waives charges for a second telephone line used by hearing-impaired customers for teletype service



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Non-PSC-Directed USF Programs

- TEACH/DOA Program:
 - Educational Telecommunications Access – subsidized access to new data lines for direct Internet access and two-way interactive video links
- DPI Programs:
 - Newslite – funds a contract with the National Federation of the Blind to provide access to audio versions of major national newspapers
 - BadgerLink – funds a contract with vendors that provide statewide access to reference databases of magazines and newspapers through BadgerLink
 - Supplemental Aid to Public Library Systems – funds aid payments to public library systems.
- UW System Program:
 - UW System BadgerNet Access – BadgerNet access support for UW campuses



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Customers for Affordable Local and Long Distance Service

Compliance With Federal Law

- A state exemption for wireless carriers from USF assessments is contrary to federal law.

U.S. Code: Title 47, 254(f) – State Authority

"A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State..."



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Customers for Affordable Local and Long Distance Service

The Problem

- Demand on USF dollars is growing while revenues are shrinking.
- Exempting one whole class of carriers skews competitive choices
 - Providers that don't pay into the fund will be able to price their products at less cost to the consumer, all other things being equal.

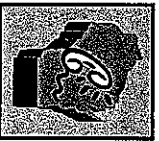


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USF Appropriations

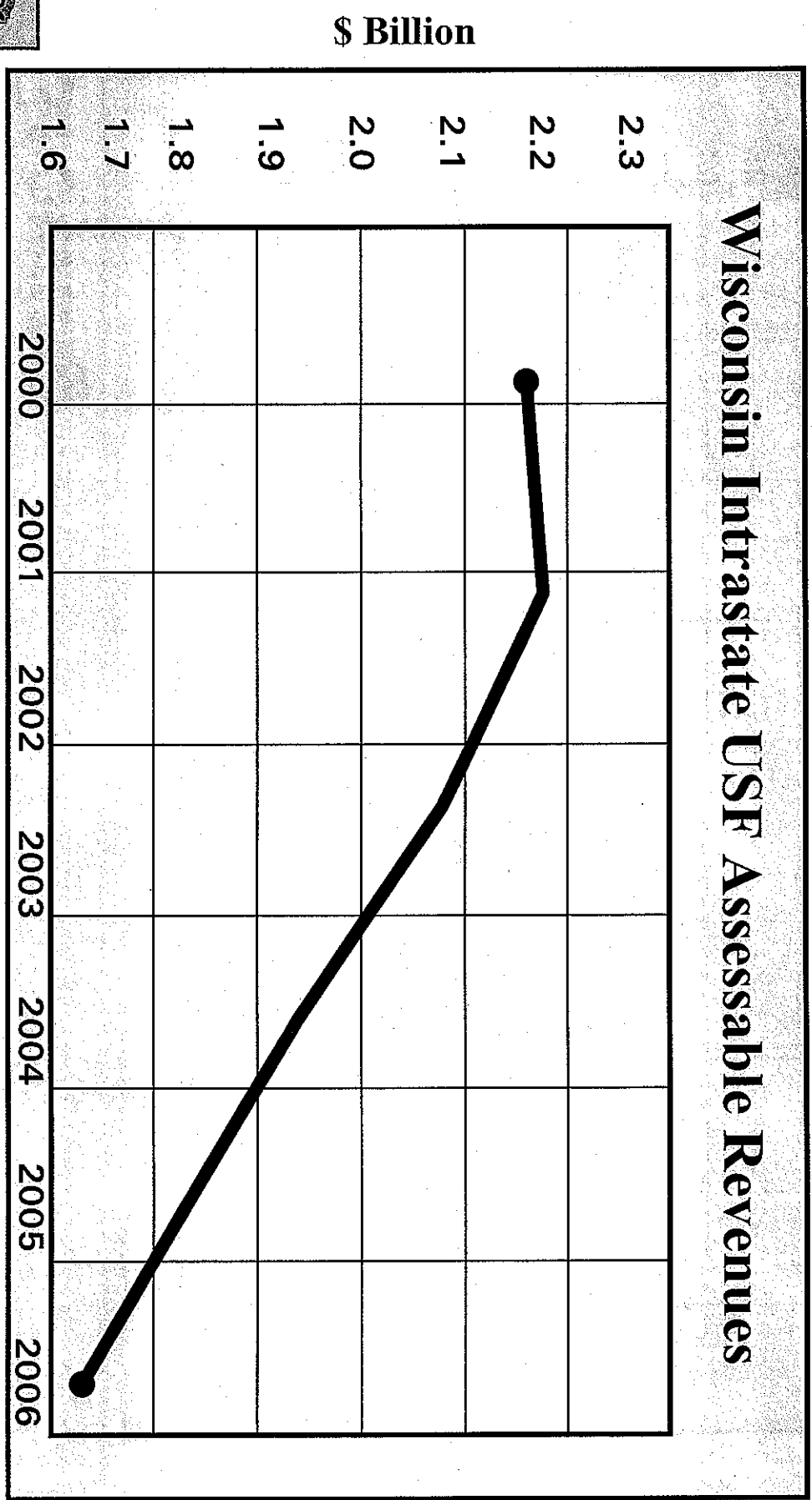
Statute	Statute Title	2001 Act 16		2003 Act 16		2005 Act 25		2007 Act 20	
		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
20.155 (1)(q)	Universal Telecommunications Service	\$6,880,000	\$6,880,000	\$5,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
20.255 (3)(q)	Periodical and Reference Information Databases; newsline for the blind	\$1,773,500	\$1,850,200	\$1,886,900	\$1,943,500	\$1,992,500	\$2,030,500	\$2,167,700	\$2,219,000
20.255 (3)(qm)	Supplemental Aid to Public Library Systems	—	—	\$2,111,900	\$2,111,900	\$4,223,800	\$4,223,800	\$14,040,600	\$5,486,100
20.275 (1)(q)	Computer Training	\$175,000	\$175,000	—	—	—	—	—	—
20.285 (1)(q)	UW Telecommunications Services	\$1,054,800	\$1,054,800	\$1,054,800	\$1,054,800	\$1,054,800	\$1,054,800	\$1,054,800	\$1,054,800
20.505 (4)(s)	Telecommunications Access; school districts	\$8,393,300	\$9,613,700	\$10,883,400	\$11,324,200	\$11,330,100	\$11,330,100	\$11,340,700	\$11,340,700
20.505 (4)(t)	Telecommunications Access; private & technical colleges & libraries	\$3,978,000	\$4,670,000	\$4,735,500	\$5,066,000	\$5,066,000	\$5,066,000	\$5,066,000	\$5,066,000
20.505 (4)(tm)	Telecommunications Access; private schools	\$908,100	\$1,340,600	\$708,100	\$701,300	\$701,300	\$701,300	\$701,300	\$701,300
20.505 (4)(tu)	Telecommunications Access; state schools	\$64,900	\$70,000	\$75,000	\$68,200	\$68,200	\$68,200	\$68,200	\$68,200
20.505 (4)(tw)	Telecommunications Access; juvenile correctional facilities*	\$251,100	\$233,400	\$112,500	\$102,300	\$102,300	\$102,300	\$102,300	\$102,300
TOTALS		\$23,478,700	\$25,887,700	\$26,578,100	\$28,372,200	\$30,539,000	\$30,577,000	\$40,541,600	\$32,038,400
* 20.505 (4)(tw) was previously named Telecommunications Access; secured correctional facilities									



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Intrastate Revenues are Falling

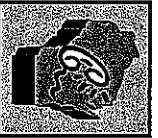
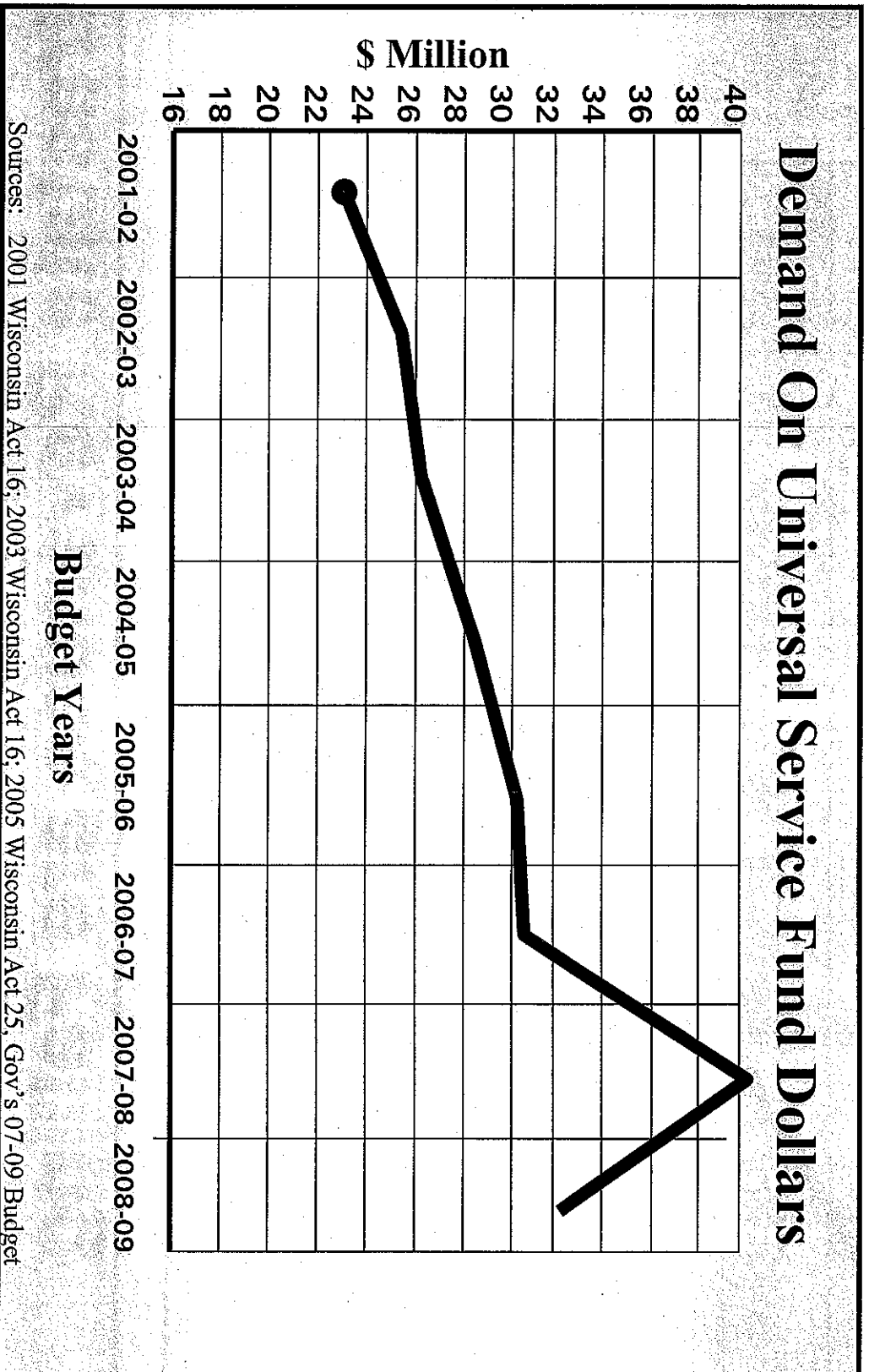


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Customers for Affordable Local and Long Distance Service

Source: Public Service Commission of Wisconsin

State USF Assessments Are Growing



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Who Pays Into USF

- Incumbent Local Exchange Carriers (ILECs)
- Competitive Local Exchange Carriers (CLECs)
- Cable companies that have filed for certification to operate as telecommunications providers



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Who Does Not Pay

- Wireless Providers
- Voice over Internet Protocol (VoIP) Providers



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Solutions

- Wireless carriers should pay into the State USF
 - They pay into the Federal USF
 - The PSC can order them to pay
 - The PSC has already found that wireless is a substitute for basic local exchange service (BLES)

"Wireless customers...are substituting wireless service for residential BLES by 'cutting the cord'.... Therefore, it is reasonable and in the public interest to consider wireless service as a substitute for stand-alone BLES."

Public Service Commission of Wisconsin
Docket 6720-TI-196, Final Order, 11/25/2005
Findings of Fact #8

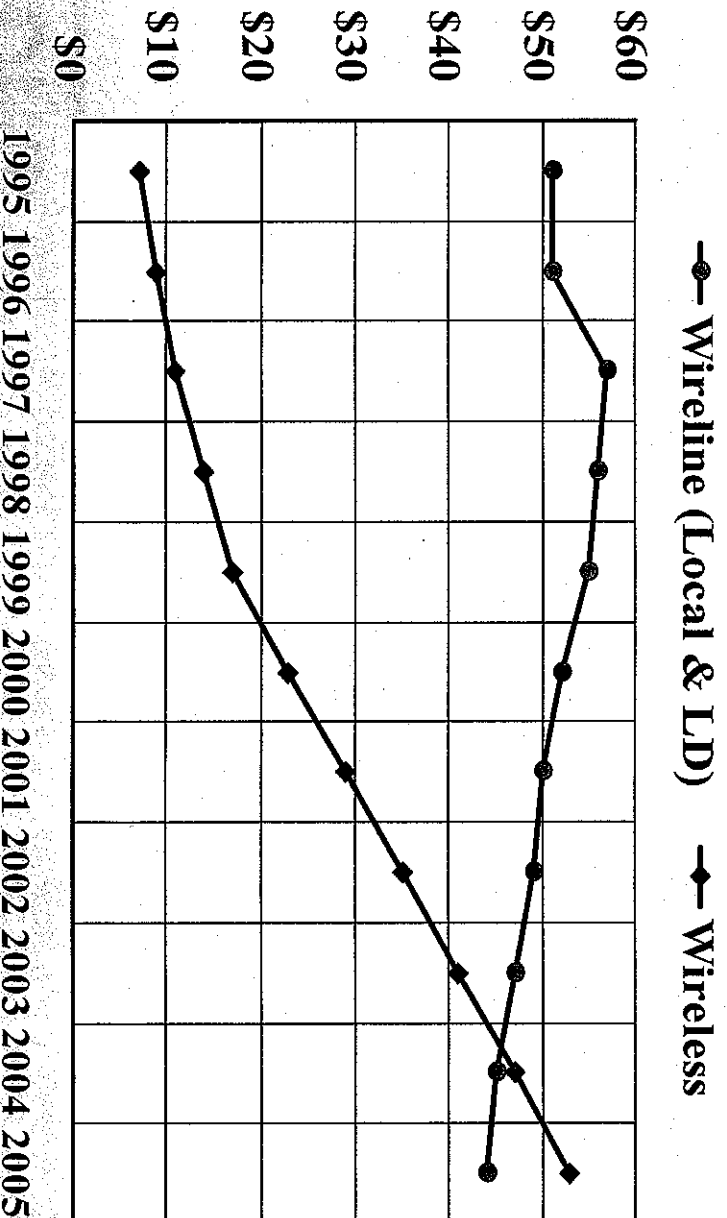


WISCONSIN CALLS

Customers for Affordable Local and Long Distance Service

Wireless vs. Wireline Expenditures

Average Monthly U.S. Household
Telecom Expenditures



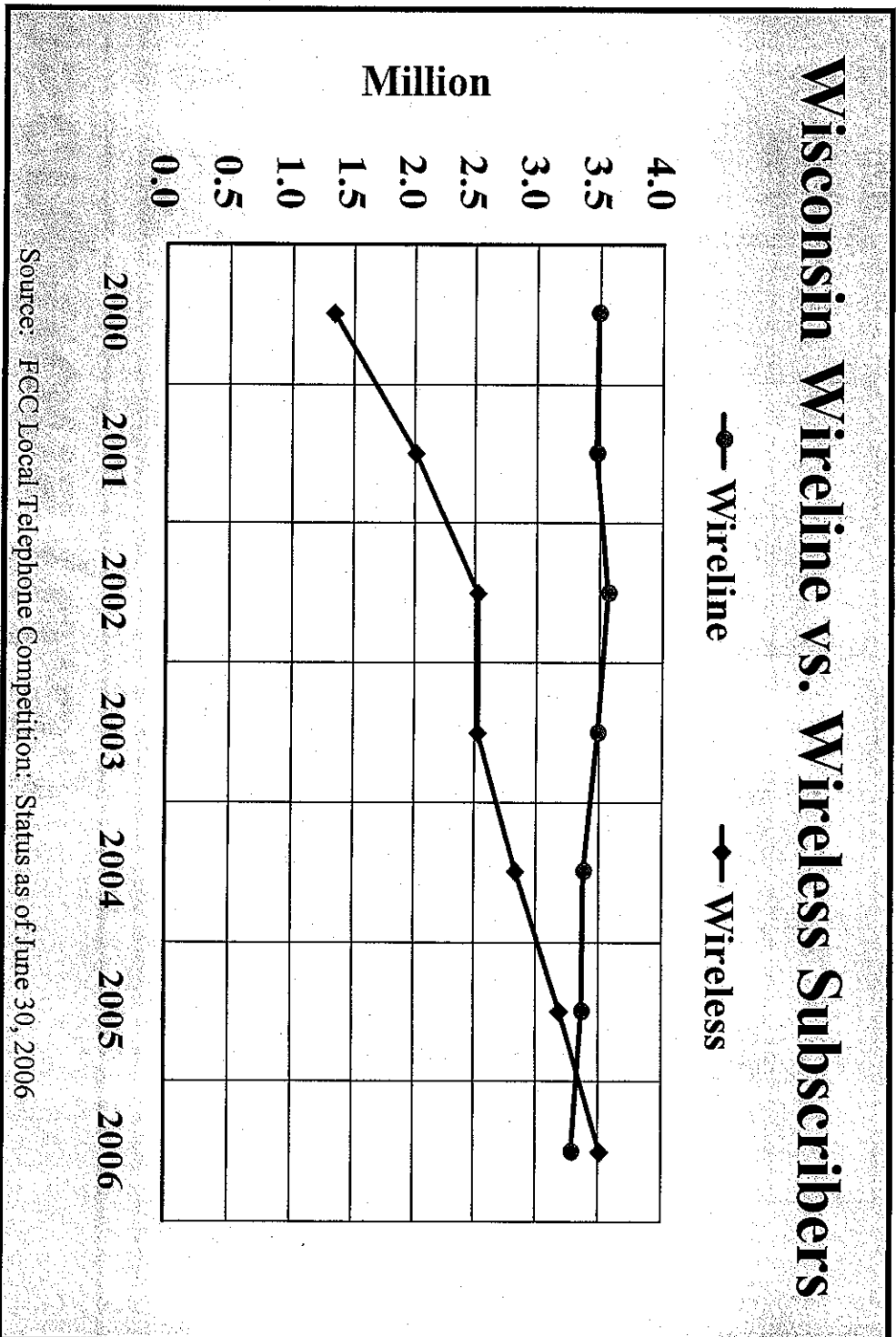
Source: FCC Trends in Telephone Service as of February 2007



WISCONSIN CALLS

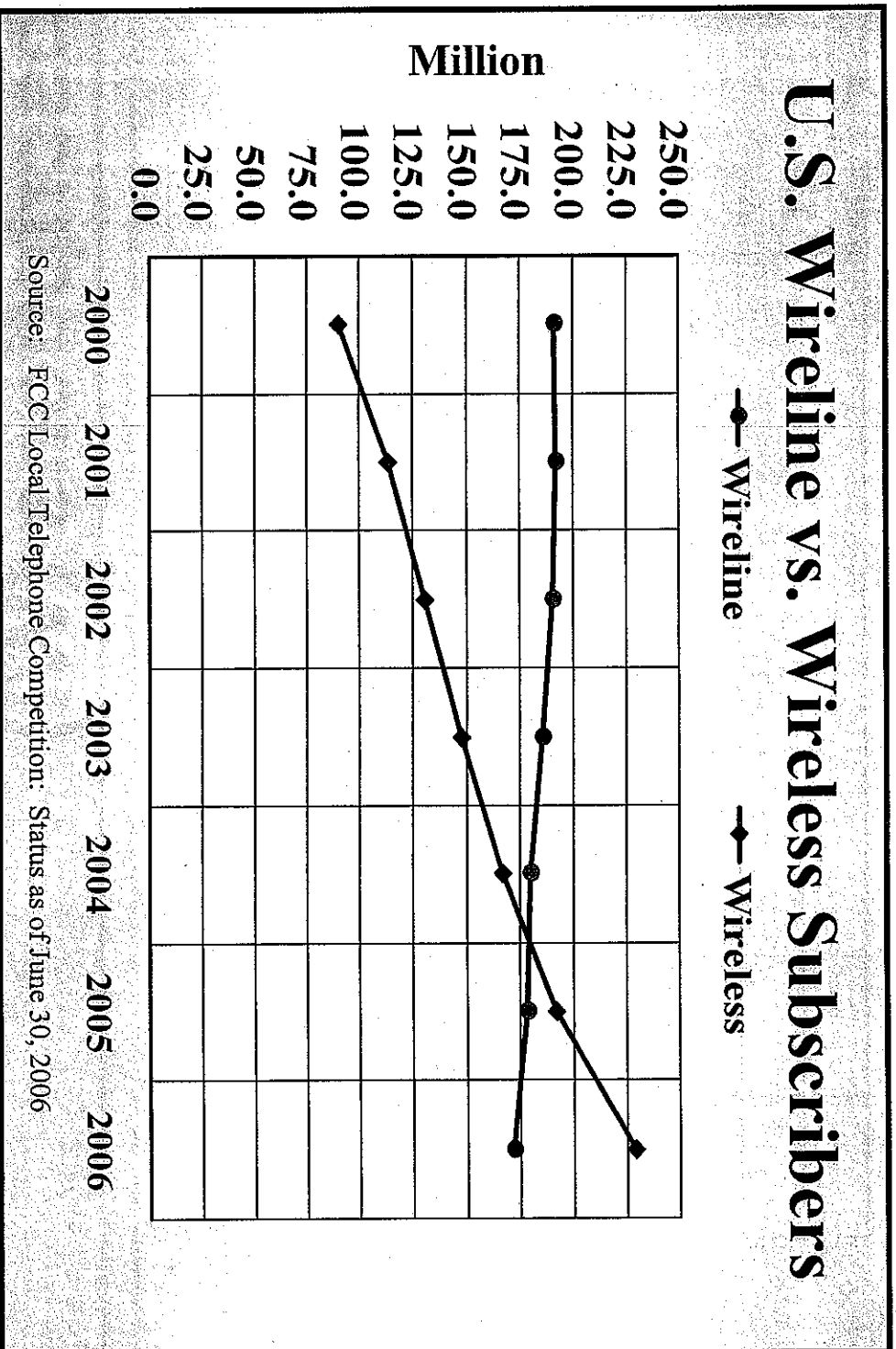
Customers for Affordable Local and Long Distance Service

Wireless vs. Wireline Subscriptions (WI)



WISCONSIN CALLS
Customers for Affordable Local and Long Distance Service

Wireless vs. Wireline Subscriptions (U.S.)



WISCONSIN CALLS
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